



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

September 14, 2011

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

From: William T Fujioka
Chief Executive Officer

WASHINGTON, D.C. UPDATE ON THE PRESIDENT'S JOBS PLAN

Earlier this week, the Obama Administration released draft bill language and more detailed information on the President's \$447 billion jobs plan, which was outlined in the President's address before a joint session of Congress on September 8, 2011. The President's jobs plan -- the American Jobs Act (AJA) -- differs significantly from the \$787 billion American Recovery and Reinvestment Act (ARRA) of 2009. A far higher percentage of the AJA (57 percent) than ARRA (27 percent) consists of tax cuts. The AJA proposes \$253 billion in tax cuts of which \$240 billion would be in the form of reduced Social Security payroll taxes. Moreover, unlike ARRA, it provides relatively little fiscal relief to state and local governments and does not provide any increased funding for the three Federal programs -- Medicaid, Temporary Assistance for Needy Families, and Title IV-E Foster Care and Adoption Assistance, which are the biggest Federal revenue sources, by far, for the County. Therefore, the AJA would provide the County with far less additional Federal revenue than ARRA has.

Another major difference is that the AJA would be budget neutral -- its entire \$447 billion cost would be offset by a like amount of increased revenues from tax increases, including roughly \$400 billion in increased revenue from limiting the value of itemized tax deductions and tax-exempt municipal bond interest income to 28 percent for upper income taxpayers who are in higher tax brackets. The value of such tax-exempt interest for earners in the top tax bracket currently is worth 35 percent and, under current law, will be 39.6 percent in 2013 when all of the proposed tax increases in the President's

"To Enrich Lives Through Effective And Caring Service"

**Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only**

jobs plan would take effect. Limiting the value of tax-exempt interest income would result in higher borrowing costs for state and local governments, including the County.

The President's jobs plan includes a number of spending proposals of County interest:

Spectrum Allocation for Public Safety: The AJA includes \$7 billion to help build and operate a nationwide public safety broadband network. Similar to S. 911 (Rockefeller), which the Los Angeles Regional Interoperable Communications System (LA-RICS) Authority supports, the AJA would allocate spectrum, known as the D Block, for use by first responders and other public safety uses, establish a Public Safety Broadband Corporation ("Corporation") to promote the construction and development of a nationwide public safety network, and grant the Corporation the license for the D Block spectrum. The Corporation would be authorized to charge fees for the use of a public safety broadband network's capacity by public safety users or commercial users on a secondary basis. In addition, the AJA would provide \$200 million of the \$7 billion amount to create a grant program for states and localities to plan for and implement the nationwide public safety broadband network.

Pathways Back to Work Fund: The AJA establishes a \$5 billion Pathways Back to Work Fund of which \$2 billion would be available for subsidized employment for unemployed, low-income adults, \$1.5 billion for summer and year-round employment opportunities for low-income youth, and \$1.5 billion for competitive grants to local chief elected officials, in collaboration with workforce investment boards (WIBs), to provide work-based training to unemployed, low-income persons. Both the subsidized employment and youth employment funding would be allocated, by formula, to states, based on unemployment and the number of disadvantaged adults and youth. Each state would have the option of administering subsidized employment through its Temporary Assistance for Needy Families (TANF) agencies and/or local WIBs, and must describe how its subsidized employment program will be coordinated with the TANF and Workforce Investment Act programs. States also would have broad flexibility over the design of their subsidized employment programs. Youth employment funds would be administered by local WIBs. The amount of revenue received by the County would depend on how the State decides to allocate the formula grant funds and how the County fares in applying for competitive grant funding.

Project Rebuild: The AJA includes \$10 billion for Project Rebuild, a new program to create jobs for construction workers to rehabilitate and refurbish vacant and foreclosed homes and commercial properties. Two-thirds of total funding would be allocated to States and local governments using a needs-based formula to be established by the Department of Housing and Urban Development (HUD), which will administer the program. The remaining one-third of funding would be awarded through competitive grants for which the County would be eligible to apply. Project Rebuild would be

modeled after ARRA's Neighborhood Stabilization Program, and eligible uses of funds would include property acquisition/rehabilitation, land banks, demolition and redevelopment, and public improvements of public facilities. The amount of revenue received by the County would depend on the allocation formula developed by HUD.

First Responder Stabilization: The AJA includes \$5 billion in competitive grants for the hiring, rehiring, and retention of law enforcement officers and first responders of which \$4 billion would be allocated to Community Oriented Policing Services (COPS) Hiring Grants and \$1 billion to Staffing for Adequate Fire and Emergency Response (SAFER) Grants. In recent years, the County's Sheriff's Department has not received any COPS Hiring Grant funding while the County's Fire Department has received only one SAFER Grant since the program's inception in 2005.

Transportation Infrastructure Improvements: The President's jobs plan includes \$50 billion in funding for investments in improving highways, highway safety, transit, passenger rail, and airports. This amount includes \$27 billion for highway infrastructure; \$9 billion for transit capital projects, including the purchase of new buses; \$10 billion for innovative ways of financing and investing in infrastructure, including \$5 billion for the TIGER and TIFIA programs and \$4 billion to develop high-speed rail corridors; \$2 billion for airport improvement grants; and \$2 billion to improve Amtrak's rail infrastructure. Surface transportation funding would be allocated using existing allocation mechanisms, which means that funding for the County area would flow through Los Angeles Metro.

National Infrastructure Bank: The ACA includes \$10 billion for a newly established National Infrastructure Bank, which would issue loans and loan guarantees to help finance transportation, water, and energy infrastructure projects, which are of national or regional significance and at least \$100 million in size. To maximize leverage from Federal investments, financing would be capped at 50 percent of total project costs.

Unemployment Insurance Benefits: The President's plan includes \$49 billion to ensure that an estimated 6 million unemployed persons will not lose their unemployment insurance (UI) benefits and to finance reforms of the UI system, including the provision of improved reemployment services, allowing "work sharing" under which workers may receive pro-rated UI benefits as compensation for reduced work hours to avoid lay-offs, and "bridge to work programs" which would allow long-term unemployed persons to continue to receive UI while they take temporary voluntary unpaid jobs and receive work-based training.

Legislative Outlook

The legislative outlook for the President's job plan is unclear. There is far greater bipartisan support for tax cuts than for spending increases, which Republicans generally

Each Supervisor
September 14, 2011
Page 4

oppose. As with other proposals which would reduce taxes and/or increase spending, identifying politically acceptable offsets to keep the legislation budget neutral is far more difficult. This is especially true now when the new Joint Deficit Reduction Committee is tasked with recommending at least \$1.2 trillion in deficit reduction savings, and the President and many Members of Congress want even deeper reductions in the deficit. Recent press reports indicate that Senate Democrats are considering to bring the entire package to the Senate floor in October. The House Republican leadership has not yet decided how the House will proceed on the President's jobs plan.

We will continue to keep you advised.

WTF:RA
MR:MT:OR:lm

c: All Department Heads
Legislative Strategist